



## Santa Clara Law Review

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Volume 55 | Number 3

Article 5

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10-7-2015

# Helping or Hindering the Genius of America?: The Conflict in Congress Surrounding the First-Inventor-to-File and Revised Grace Period and the Resulting Impact

Rebecca Horton

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# **HELPING OR HINDERING THE GENIUS OF AMERICA?: THE CONFLICT IN CONGRESS SURROUNDING THE FIRST-INVENTOR-TO-FILE AND REVISED GRACE PERIOD AND THE RESULTING IMPACT**

**Rebecca Horton\***

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\* Editor-in-Chief, Santa Clara Law Review, Vol. 55; J.D., Santa Clara University School of Law, 2015; B.A., History, minor in French, Davidson College, 2009. I would like to thank the incredible Vol. 55 Board of Editors for their careful and diligent review of this Comment and their dedication to the compilation of Vol. 55. In addition, I would like to thank our faculty adviser, Dean Bradley Joondeph, for his insightful advice throughout the year. Lastly, and importantly, I would like to thank my family and friends for their support and encouragement throughout this writing process and my law school career.

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## INTRODUCTION

On March 16, 2013, the United States shifted to a “first-inventor-to-file” system and substantially revised the grace period as part of the America Invents Act (“AIA”), a sweeping patent reform signed into law by President Obama in September 2011. Although this transition from a first-to-invent (“FTI”) to a first-inventor-to-file (“FITF”) system may appear simple, “[t]he reality is more complex than those designations imply.”<sup>1</sup>

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1. John Villasenor, *March 16, 2013: The United States Transitions To A 'First-Inventor-To-File' Patent System*, FORBES (Mar. 11, 2013, 11:54pm), <http://www.forbes.com/sites/johnvillasenor/2013/03/11/march-16-2013-america-transitions-to-a-first-inventor-to-file-patent-system/>.

The shift from FTI to the FITF is extremely important since it changes the basis from which an inventor establishes priority—one's entitlement to a patent—in order to protect his or her patentable invention. Under the old FTI system, the date of conception of the invention dictated priority.<sup>2</sup> In contrast, the new FITF system provides that priority is determined by the filing date of the patent application.<sup>3</sup> The grace period is significant because it allows the inventor to make certain disclosures of his invention, while still ensuring that his ideas are protected prior to filing a full patent application, as long as he does not exceed the one-year period.

Opinions differed on the benefits and downfalls of this transition, but practitioners appears to have a common piece of advice: after the March 16, 2013 effective date, inventors “should file applications early and frequently during the invention process.”<sup>4</sup> But the encouragement of a filing foot race was the exact opposite of Congress' intent in implementing the FITF provision and the revised grace period.<sup>5</sup> Although the provisions went relatively unchallenged over the course of the five-year progression of the AIA, the final months leading to the AIA's passage gave way to contentious debates over these provisions, which threatened the passage of the entire AIA. These debates centered on the effects of the FITF and revised grace period provisions on small businesses. However, after two years since FITF and the revised grace period went in to effect, few have commented on any measurable effects on small businesses.

This Comment will first discuss the construction of the AIA's Section 102 and considerations paid to small businesses.

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2. 157 CONG. REC. S1040 (Mar. 2, 2011) (statement of Sen. Kyl).

3. *Id.*

4. Matthew R. Osenga, *Tips for Transitioning to First-To-File U.S. Patent System*, GOODMAN ALLEN & FILETTI (Jan. 18, 2012), <http://www.goodmanallen.com/news/detail/tips-for-transitioning-to-first-to-file-u.s.-patent-system>; Leonid Kravets, *First-To-File Patent Law Is Imminent, But What Will It Mean?*, TECHCRUNCH (Feb. 16, 2013), <http://techcrunch.com/2013/02/16/first-to-file-a-primer/>.

5. Dennis Crouch, *Pre-AIA Filing Numbers*, PATENTLY-O BLOG (Mar. 29, 2013), <http://www.patentlyo.com/patent/2013/03/pre-aia-filing-numbers.html> (“In January and February 2013, filing averaged about 7,100 non-provisional applications per week. In the three weeks before the change-over, the filing increased substantially. In all, about one-month worth of extra applications were filed during those three weeks (about 33,000 non-provisional applications). As for provisional, applications spiked from approximately 3-4,000 applications per week, to 24,259 in the week prior to implementation.”).

It will then explain the different debates that occurred on the floor of the House and Senate regarding the FITF and the revised grace period. Finally, this Comment will analyze whether Congress' intent towards small businesses was actualized and the implications for future legislation.

## I. BACKGROUND

### A. *The Pre-AIA Grace Period*

The First-To-Invent provision was located in pre-AIA section 102(a), which stated that a person was entitled to a patent unless "the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, *before the invention thereof* by the applicant for a patent."<sup>6</sup>

The grace period was housed in pre-AIA Section 102(b), indicating that a person was entitled to the patent unless "the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, *more than one year prior to the date of application* for patent in the United States."<sup>7</sup> This one-year span was considered the grace period, which provided a protected span of time where the inventor could disclose his work without fear that he would lose the exclusive right to patent his work.

### B. *The Trail to Enactment of Section 102*

The original version of the AIA was introduced during the 109th Congress by Rep. Lamar Smith.<sup>8</sup> In this first bill, the FITF provision was established in Section 100, providing that the effective filing date of a claimed invention is "the filing date of the patent or the application for patent containing the claim to the invention."<sup>9</sup> Section 102 indicated that a patent could not be obtained if "the claimed invention was patented, described in a printed publication, or otherwise publicly known—more than one year before the effective filing date of the claimed invention," but the limitation on prior art only

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6. 35 U.S.C. § 102(a), Pub. L. No. 92-358, § 2, 86 Stat. 501 (1972), *available at* <http://www.uspto.gov/web/offices/pac/mpep/s2132.html> (emphasis added).

7. 35 U.S.C. § 102(a), Pub. L. No. 92-358, § 2, 86 Stat. 501 (1972) *available at* <http://www.uspto.gov/web/offices/pac/mpep/s2133.html> (emphasis added).

8. Patent Reform Act of 2005, H.R. 2795, 109th Cong. (2005).

9. *Id.* at 2.

referred to a commonly assigned invention exception.<sup>10</sup> During the 109th Congress, there was no controversy over the transition to the FITF or its narrowed grace period.<sup>11</sup>

In the 110th Congress, both the Senate and House introduced parallel bills that contained substantially identical sections for the FITF system and grace periods.<sup>12</sup> The Senate version's grace period created an exception to the prior art if the subject matter had been publicly disclosed by the inventor or others who obtained the subject matter directly or indirectly from the inventor.<sup>13</sup> This was mirrored in the House bill.<sup>14</sup> The debates on the floors of the Senate and the House were tense with the "bill facing grave legislative difficulty," but none of these debates addressed the transition to the FITF or the narrowed grace period.<sup>15</sup>

In the 111th Congress, both the Senate and House introduced bills, but only the Senate reported its bill from the Committee.<sup>16</sup> Contentious debates continued and the Senate committee even adopted an amendment to eliminate the controversial provisions, which had given rise to the heated debates.<sup>17</sup> But this amendment addressed neither the FITF nor the grace period since neither were considered controversial provisions.<sup>18</sup> It was not until after the 111th Congress that the Committee began to hear "rumblings" regarding the transition to the FITF.<sup>19</sup>

Although the AIA had been in the making since 2005, it was not until the March 2011 congressional debates when it became apparent that these concerns regarding the FITF and grace period were not subdued, threatening the entirety of the bill.<sup>20</sup>

### *C. Congressional Debates Over Construction of Section*

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10. *Id.* at 3.

11. Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 Fed. Cir. B.J. 435, 438 (2012), available at [http://www.uspto.gov/sites/default/files/aia\\_implementation/guide-to-aia-p1.pdf](http://www.uspto.gov/sites/default/files/aia_implementation/guide-to-aia-p1.pdf).

12. *Id.* at 439.

13. Patent Reform Act of 2007, S. 1145, 110th Cong. § 102 (2007).

14. Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 102 (2007).

15. Matal, *supra* note 11 at 440–41.

16. *Id.* at 442.

17. *Id.*

18. *Id.* at 442–43.

19. 157 CONG. REC. S1040 (Mar. 1, 2011) (statement of Sen. Kyl).

20. Matal, *supra* note 11 at 453.

## 102

The March 2011 Senate hearings centered on the debate around the transition to the FITF and its grace period.<sup>21</sup> This contentious debate over Section 102 was surprising since Section 102 had sailed through five years of various versions without posing any issue.<sup>22</sup> In March 2011, though, Section 102 dominated “the tempo and direction of the Senate’s consideration of the entire bill.”<sup>23</sup>

*1. March 2011 Senate Debates*

The “rumblings” began prior to the March 1, 2011 debates, where the proponents of the FITF got word that there was going to be an amendment to strike the FITF provisions. When the debates began, the FITF sponsors wasted no time advocating for the FITF system so as to preempt the amendment before it was introduced.<sup>24</sup> Although the bill sponsors admitted that the FITF had “recently become the subject of some controversy,” this was an understatement.<sup>25</sup> With proponents of FITF arguing that this amendment was “poison” to the entire patent act, and FITF opponents arguing that FITF would ruin small businesses, there appeared to be anything but “some” controversy.<sup>26</sup>

*a. Debating Parties And Positions*

The most vocal supporters of the FITF and the grace period were Senator Kyl, Senator Klobuchar, Senator Leahy and Senator Hatch, maintaining the position that the “pending amendment would gut the reforms intended by the bill.”<sup>27</sup> Whereas the FTI system would hold back the U.S. patent community, and “give an advantage to those countries with which we have to compete,” the FITF would enable the U.S. to

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21. 157 CONG. REC. S1040 (Mar. 1, 2011); 157 CONG. REC. S1112 (Mar. 2, 2011) Doc. 12; 157 CONG. REC. S1174 (Mar. 3, 2011); 157 CONG. REC. S1367 (Mar. 8, 2011); 157 CONG. REC. S1496 (Mar. 9, 2011).

22. 157 CONG. REC. S1040 (Mar. 1, 2011) (statement of Sen. Kyl) (“[S]tarting with House Bill 2795 2005 with Rep. Smith . . . All of these elements of Mr. Smith’s original 2005 bill are retained in the bill that is before us today, and are, in fact, the most important parts of the bill. And, until recently, these provisions had not proven controversial.”).

23. Matal, *supra* note 11, at 454.

24. *Id.*

25. 157 CONG. REC. S1040 (Mar. 1, 2011) (statement of Sen. Kyl).

26. 157 CONG. REC. S1174 (Mar. 3, 2011) (statement of Sen. Kyl).

27. 157 CONG. REC. S1176 (Mar. 3, 2011) (statement of Sen. Leahy).

compete on the international stage.<sup>28</sup>

The most vocal supporters of the anti-FITF amendment were Senator Feinstein, Senator Boxer, Senator Reid, and Senator Risch. Arguing that the transition to this version of the FITF would eliminate the essential grace period, the FITF would be “severely harmful to innovation, and especially burdensome on small inventors, startups, and small businesses.”<sup>29</sup>

*b. FITF Provision*

*i. Proponents of the FITF*

The supporters of the FITF argued that this system would “accelerate venture capital investment, new company formation, and movement toward deployment of critical new technology.”<sup>30</sup> This was necessary since under the FTI system because even just the process of “determining the priority right to a patent is extraordinarily complex, it is subjective, it is time-intensive, and it is expensive.”<sup>31</sup> Whereas the FTI system favored the deep pockets of the large market incumbents to the detriment of small businesses, the FITF system would neutralize the “big structural advantage to large companies in the current dispute system.”<sup>32</sup> This system would give small businesses “increased confidence in the strength and reliability of this patent.”<sup>33</sup> This neutralization would satisfy the needs of small startups.

The proponents argued that even though the reformation of the patent system was initiated out of need, it was not a drastic change since several American companies were already effectively practicing a FITF system.<sup>34</sup> These companies recognized the difficulty in winning any contest to patent rights if they were not the first to file.<sup>35</sup> Furthermore, the FITF has been part of the bill since the initial introduction of patent reform and has survived “eight Senate hearings and three markups spanning weeks of consideration and many

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28. *Id.* at S1183.

29. 157 CONG. REC. S1094 (Mar. 2, 2011) (statement of Sen. Feinstein).

30. 157 CONG. REC. S1179 (Mar. 3, 2011) (statement of Sen. Coons).

31. 157 CONG. REC. S1176 (Mar. 3, 2011) (statement of Sen. Leahy).

32. 157 CONG. REC. S1179 (Mar. 3, 2011) (statement of Sen. Coons).

33. *Id.*

34. 157 CONG. REC. S1174 (Mar. 3, 2011) (statement of Sen. Kyl).

35. *Id.*



amendments.”<sup>36</sup> It was initiated five years prior since the FTI system was “very costly and difficult to administer.”<sup>37</sup> It was not part of a single amendment throughout the course of the five-year development until the March 2011 debates.<sup>38</sup> Because the FITF system was “clearer, faster, more transparent, and provides more certainty to inventors and manufacturers,” any arguments that the FTI system should be preserved for smaller business were weak at best.<sup>39</sup>

The FITF system also provides a much-needed renovation to a system that has not been subject to a major update since 1952, for it has become an outdated system that places a “burden on our innovators and entrepreneurs.”<sup>40</sup> It is important to have a patent system that benefits small businesses, and the “current system seems stacked against small entrepreneurs” due to the “high cost and uncertainty of protecting their inventions.”<sup>41</sup> Therefore, instead of hurting small businesses, the FITF system helps by simplifying the patent process in addition to reducing costs and potential for litigation.<sup>42</sup> The certainty is increased since there are “brighter lines to guide patent applicants and the Patent Office examiners.”<sup>43</sup> Focusing solely on the filing date will determine the true inventor, and therefore “the bill increases the speed of patent application process, while rewarding novel, cutting-edge innovations.”<sup>44</sup> In taking these factors into consideration, the FITF promises to benefit the patent system and “does not

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36. 157 CONG. REC. S1089 (Mar. 2, 2011) (statement of Sen. Leahy).

37. 157 CONG. REC. S1174 (Mar. 3, 2011) (statements of Sen. Kyl) (“The FTI was costly to administer because it required the patent owners ‘to resolve questions or disputes between who actually conceived of the idea first,’ and it was difficult to administer because they had to determine somehow if the inventors had “appl[ie]d the necessary diligence to get it patented.”).

38. 157 CONG. REC. S1176 (Mar. 3, 2011) (statements of Sen. Leahy); 157 CONG. REC. S1089 (Mar. 2, 2011) (statement of Sen. Leahy).

39. 157 CONG. REC. S1175 (Mar. 3, 2011) (statements of Sen. Kyl) (this is not only increased due to the tangible evidence of being the first to file, but also since FITF “allows American companies to only have to comply with one system rather than two.”).

40. 157 CONG. REC. S1036 (Mar. 1, 2011) (statement of Sen. Klobuchar).

41. *Id.*

42. 157 CONG. REC. S1097 (Mar. 2, 2011) (statement of Sen. Hatch) (Senator Hatch refuted the criticisms of the FITF saying the purpose was not to hurt small businesses since they recognize that “innovators are too important to our Nation’s economic health.”); 157 CONG. REC. S1174 (Mar. 3, 2011) (statements of Sen. Kyl).

43. 157 CONG. REC. S1036 (Mar. 1, 2011) (statement of Sen. Klobuchar).

44. *Id.*

appear to have the level of risk some have feared.”<sup>45</sup>

ii. Opponents of the FITF:

Opponents of the FITF argued that the FTI system was not broken, and changing it promised to be the undoing for small businesses. The supporters of the FTI system argued that America is already the leader in innovation, therefore why “fix what isn’t broken.”<sup>46</sup> The FTI enabled the United States to be the “heart of innovation in the world, and its patent system is its soul,” but the FITF provision will “erase over 200 years of invention and achievement, and replace it with a weaker system.”<sup>47</sup>

The American patent system is set apart since the greatest inventors and inventions began from “humble beginnings, and they grew spectacularly,” and the patent system provided protection for the ideas of these inspired people so their ideas could take off.<sup>48</sup> The FITF would “impede innovation and economic growth in our country, particularly harming the small, early-stage business,” which would inevitably harm the entire innovation system.<sup>49</sup>

Furthermore, why attempt a fix that would “be severely harmful to innovation, and especially burdensome on small inventors, startups, and small businesses,” when it is not needed?<sup>50</sup> The FITF promotes and incentivizes a footrace to the Patent Office “to protect as many of their ideas as soon as possible so they are not beaten to the punch by a rival”—this disproportionately benefits large companies to the disadvantage of the small.<sup>51</sup> This shift would result in an onslaught of “dead end” invention applications, which would burden both the PTO and the inventors.<sup>52</sup>

In addition to non-quality patents, the filing race is particularly hard on small businesses since they “do not have the resources and volume to employ in-house counsel but must instead rely on more-costly outside counsel to file their

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45. 157 CONG. REC. S1097 (Mar. 2, 2011) (statement of Sen. Hatch).

46. 157 CONG. REC. S1183 (Mar. 3, 2011) (statement of Sen. Feinstein).

47. 157 CONG. REC. S1096 (Mar. 2, 2011) (statement of Sen. Boxer).

48. 157 CONG. REC. S1182 (Mar. 3, 2011) (statement of Sen. Feinstein).

49. 157 CONG. REC. S1094 (Mar. 2, 2011) (statement of Sen. Feinstein).

50. *Id.*

51. *Id.*

52. *Id.*

patents.”<sup>53</sup> Instead of focusing resources on developing “viable ideas that can build a patent portfolio—and a business,” costs and time are being directed to this unnecessary filing race.<sup>54</sup>

There is also an element of fairness involved in maintaining the status quo, as “[t]he person who created the invention gets the benefits of that creation, not the person with the fastest tennis shoes.”<sup>55</sup> This sort of patent protection is important since, “[w]ith so much on the line, with creativity on the line, it should be the person who actually does the invention, who reaps the benefits of that invention, and that is all this [FTI] does.”<sup>56</sup> This amendment is not a “poison pill” where taking out the FITF system would kill the entire bill.<sup>57</sup> Maintaining the status quo is the right and fair thing to do since it rewards the actual inventor and protects the small inventor.<sup>58</sup>

*c. Grace Period Considerations*

*i. Proponents of the Revised Grace Period*

The grace period provisions under the new system ensure that the ideas of small inventors are protected during the necessary time prior to filing while the FITF provision increases the speed and certainty of the patent process. The proponents argue that the new grace period “still provides a safe harbor of a year for inventors to go out and market their inventions before having to file for their patents.”<sup>59</sup> The grace period provisions are clear, providing transparent guidelines and rules that satisfy the needs of small businesses.<sup>60</sup> The AIA’s grace period strikes the perfect balance by “encourag[ing] cross-pollination of ideas and eliminat[ing] concerns about discussing inventions with others before a patent application is actually filed.”<sup>61</sup>

The proponents of the new grace period insist that it was

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53. *Id.*

54. *Id.*

55. 157 CONG. REC. S1181 (Mar. 3, 2011) (statement of Sen. Risch).

56. *Id.*

57. *Id.* at S1181–82.

58. *Id.*

59. 157 CONG. REC. S1036 (Mar. 1, 2011) (statement of Sen. Klobuchar).

60. 157 CONG. REC. S1041 (Mar. 1, 2011) (statement of Sen. Kyl); 157 CONG. REC. S1090 (Mar. 2, 2011) (statement of Sen. Leahy).

61. 157 CONG. REC. S1036 (daily ed. Mar. 1, 2011) (statement of Sen. Klobuchar).

specifically tailored with small businesses in mind.<sup>62</sup> Knowing that the small inventors “go to trade shows and begin talking about their concepts and what they have done,” the provisions address the concern that discussing these concepts would result in unprotected ideas.<sup>63</sup> The new grace period “ensure[s] the inventor’s own publication or disclosure cannot be used against him as prior art but will act as prior art against another patent application.”<sup>64</sup>

Any concern that large companies will rob small inventors of their ideas is not merited since as soon as the inventor discloses, he or she will have a year of protection before having to file.<sup>65</sup> Small businesses should be reassured, since “no other disclosure, regardless of whether it was obtained from the inventor, can then invalidate the invention.”<sup>66</sup> These grace period provisions are “highly protective of inventors, especially those who share their inventions with the interested public but still file a patent application within a year.”<sup>67</sup>

The clear provisions within the new grace period promised a new system that is “more fair, more predictable and transparent for all.”<sup>68</sup> These clear rules provide inventors with “unambiguous guidelines” so as to ensure full patent protection.<sup>69</sup> If an inventor “publishes his invention, or discloses it at a trade show or academic conference, for example, or otherwise makes it publicly available, that inventor has an absolute right to priority if he files an application within 1 year of his disclosure.”<sup>70</sup> Therefore, if the inventor discloses, publishes, or shares the invention in a way that is publicly available, no application or prior art after this disclosure can defeat the inventor’s patent application.<sup>71</sup> But if

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62. *See generally* 157 CONG. REC. S1090 (Mar. 2, 2011) (statement of Sen. Leahy).

63. 157 CONG. REC. S1175 (Mar. 3, 2011) (statement of Sen. Kyl).

64. 157 CONG. REC. S1176 (Mar. 3, 2011) (statement of Sen. Leahy).

65. 157 CONG. REC. S1179 (Mar. 3, 2011) (statement of Sen. Coons); 157 CONG. REC. S1175 (Mar. 3, 2011) (statement of Sen. Kyl).

66. 157 CONG. REC. S1175 (Mar. 3, 2011) (statement of Sen. Kyl).

67. 157 CONG. REC. S1041 (Mar. 1, 2011) (statement of Sen. Kyl).

68. 157 CONG. REC. S1179 (Mar. 3, 2011) (statement of Sen. Coons).

69. 157 CONG. REC. S1041 (Mar. 1, 2011) (statement of Sen. Kyl).

70. 157 CONG. REC. S1104 (Mar. 2, 2011) (statement of Sen. Kyl).

71. 157 CONG. REC. S1041 (Mar. 1, 2011) (statement of Sen. Kyl) (Senator Kyl went on to state that, “regardless of the disinformation that is widespread, the currently proposed S. 23 does, in fact, have a grace period. The grace period would be quite different than what we have now and would not extend to all third party activities, but many of the horror stories say that if someone learns of your

the inventor chooses to keep his invention secret, it is very important to file the application quickly before another inventor discloses the idea.<sup>72</sup> This is because, “[i]f prior art disclosed the invention to the public before the filing date, or if the inventor disclosed the invention within a year of filing but the prior art predates that disclosure, then the invention is invalid.”<sup>73</sup> Therefore, in light of these clear provisions, the FITF supporters argue that it is disinformation and misleading to state that no grace period exists under AIA.<sup>74</sup>

Proponents of the FITF also argue that claiming that the meaning of a disclosure is ambiguous under the FITF is unfounded since, “Congress would not create a grace period that is narrower in scope than the relevant art.”<sup>75</sup> The meaning of “disclosure” under Section 102(b) is intuitive and clear, therefore this fear of litigation is baseless.<sup>76</sup> A disclosure “is something that makes the invention available to the public—the same test applied by section 102(a) to define the scope of relevant prior art.”<sup>77</sup> Being “available to the public” is equivalent to a publication being “publicly accessible,” which is measured by whether “an interested person who is skilled in the field could, through reasonable diligence, find the subject matter and understand the invention from it.”<sup>78</sup> Therefore, under the new bill, “any activity by the inventor that would constitute prior art under section 102(a)(1) would also invoke the grace period under section 102(b)(1).”<sup>79</sup>

This makes it so the inventor is “protected against his own activities so long as he files within a year.”<sup>80</sup> He is also protected “by another person’s disclosure of the invention, regardless of whether he could prove that the other person derived the invention from him,” under the First to Publish

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invention from you and beats you to the Patent Office, they will get the patent. That is simply flat wrong.”).

72. *Id.*

73. *Id.*

74. 157 CONG. REC. S1104 (Mar. 2, 2011) (statement of Sen. Kyl) (quoting Gene Quinn, *Senate to Vote on Patent Reform, First to File Fight Looms*, IPWATCHDOG (Feb. 27, 2011) <http://www.ipwatchdog.com/2011/02/27/senate-vote-patent-reform-first-to-file-fight-looms/id=15566/>).

75. 157 CONG. REC. S1042 (Mar. 1, 2011) (statement of Sen. Kyl).

76. *Id.*

77. *Id.*

78. *Id.*

79. *Id.*

80. *Id.*

provision.<sup>81</sup>

## ii. Opponents of the Revised Grace Period

The opponents argue that the revised grace period excessively narrows the scope of the grace period, which will severely hurt small businesses by not providing them protection for their inventive process.<sup>82</sup> Under the AIA, small businesses can no longer rely on an offer for sale or public use to trigger the grace period protection, which has the effect of “practically gutting the American 1-year grace period.”<sup>83</sup>

A small business needs a broad grace period to protect it during its early stages “from loss of patent rights due to any activities, information leaks or inadvertent unprotected disclosures prior to filing their patent applications.”<sup>84</sup> Smaller entities need “time to set up their businesses, seek funding, offer their inventions for sale or license, and prepare a thorough patent application.”<sup>85</sup> Small inventors are in a “race against insolvency” since they must develop and vet their invention while entering the commercialization stage to obtain sufficient funding.<sup>86</sup> All this effort will be all for naught if the inventors receive no sort of protection during the course of these activities; the one-year grace period was intended to allow them “to get their act together.”<sup>87</sup> The original grace period allows small startups to “concentrate on developing their invention and obtaining necessary funding.”<sup>88</sup> But with these revisions, these small inventors will be forced to “race to the Patent Office because they are afraid somebody else might have heard the conversation, might have stolen it from them.”<sup>89</sup>

This protection would not be provided under the new system because the bill provides a weaker grace period that would “have a significant economic effect on startups,

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81. 157 CONG. REC. S1042 (Mar. 1, 2011) (statement of Sen. Kyl).

82. 157 CONG. REC. S1094 (Mar. 2, 2011) (statement of Sen. Feinstein).

83. *Id.*

84. *Id.*

85. 157 CONG. REC. S1096 (Mar. 2, 2011) (statement of Sen. Boxer).

86. 157 CONG. REC. S1094 (Mar. 2, 2011) (statement of Sen. Feinstein).

87. 157 CONG. REC. S1182 (Mar. 3, 2011) (statement of Sen. Feinstein).

88. *Id.*

89. *Id.* (in referring to the benefits of the FTI grace period, Senator Feinstein pointed out that “[i]n fact, in many ways, the one-year grace period helps improve patent quality.”).

entrepreneurs and individual inventors.”<sup>90</sup> First, this narrow grace period does not align with the inventive process since “[a]n idea goes through many trials, errors, and iterations before it becomes a patent-worthy invention.”<sup>91</sup> Inventors need a grace period so as to ensure that during the course of this trial and error, “an accidental disclosure or development of new ‘prior art’” will not result in them losing their rights.<sup>92</sup> Narrowing the grace period, though, results in an increased chance of losing patent rights.

Second, inventors need a grace period that “allows small inventors to have conversations about their invention and to line up funding, before going to the considerable expense of filing a patent application.”<sup>93</sup> It is a steep learning curve where “many inventors learn about starting a technology-based business for the first time.” Furthermore, they obtain their investment capital “through friends, family, possibly patent licensees, and venture capitalists.”<sup>94</sup> The issue with the new FITF grace period is that it does not cover “important commercial activities such as sales or licensing negotiations.”<sup>95</sup> Encouraging inventors to file earlier to guarantee patent protection makes obtaining VC funding even more difficult since inventors will be forced to file applications for premature ideas.<sup>96</sup> Since small inventors “swear by a code of secrecy and nondisclosure,” before they can get patent protection, the narrower grace period “require[s] a sea change in culture to be able to benefit from this very limited inventor’s disclosure-triggered grace period.”<sup>97</sup>

The opponents also argue that the meaning of disclosure is ambiguous, resulting in confusion as to what triggers the grace period protection.<sup>98</sup> Not only does the new grace period narrow the rights of startups, “this FTF essentially replaces this critical innovation-protecting provision with a more limited and murky grace period that only runs from the undefined terms of ‘disclosure.’”<sup>99</sup> By removing the grace

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90. 157 CONG. REC. S1096 (Mar. 2, 2011) (statement of Sen. Boxer).

91. 157 CONG. REC. S1112 (Mar. 2, 2011) (statement of Sen. Reid).

92. *Id.*

93. *Id.*

94. 157 CONG. REC. S1182 (Mar. 3, 2011) (statement of Sen. Feinstein).

95. 157 CONG. REC. S1096 (Mar. 2, 2011) (statement of Sen. Boxer).

96. 157 CONG. REC. S1113 (Mar. 2, 2011) (statement of Sen. Reid).

97. *Id.*

98. 157 CONG. REC. S1094 (Mar. 2, 2011) (statement of Sen. Feinstein).

99. 157 CONG. REC. S1182 (Mar. 3, 2011) (statement of Sen. Feinstein)

period protection for offering an invention for sale or making public use, small inventors can only obtain the grace period protection through disclosing the invention.<sup>100</sup>

The first issue is that there is no definition of disclosure, and this will result in litigation as the courts attempt to ascertain the meaning.<sup>101</sup> This can only serve to chill invention since “venture capitalists will be reluctant to invest until they are confident that the inventor will be able to patent and own their invention.”<sup>102</sup> The second major issue is that the lack of a definition will result in the interpretation of ‘disclosure’ as “a disclosure that is sufficiently detailed to enable a person of ordinary skill in the particular art to make the invented item.”<sup>103</sup> If this is the definition, it affords protection to universities who publish often, but “it is scant protection for small inventors.”<sup>104</sup> This would be contrary to the inventive process since “no business willingly publishes complete technical disclosures that will tip-off all competitors to a company’s technological direction,” because “[c]onfidentiality is crucial to small businesses.”<sup>105</sup>

*d. Issue of Interference, Derivation, and Provisionals for Small Businesses*

The debates also focused on the issues of interference, derivation, and provisionals since a natural question to any change of the grace period is if a small inventor does rely on the grace period, will patent protection withstand the variety of challenges to priority?

The proponents argue that in light of the expense and fact that interference proceedings favor large corporations, the

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(pointing out that, “[l]itigation is sure to ensue as courts interpret this term, creating uncertainty that I believe will chill investment in startups which in turn will damper innovation and job growth.”).

100. 157 CONG. REC. S1094 (Mar. 2, 2011) (statement of Sen. Feinstein).

101. *Id.*

102. *Id.*

103. *Id.* If this interpretation is correct, that would mean that the detail of a disclosure in order for an inventor to obtain grace period protection would have to be as detailed as a patent application).

104. *Id.*

105. 157 CONG. REC. S1094 (Mar. 2, 2011) (statement of Sen. Feinstein).



certainty of a filing date under the FITF is a better system.<sup>106</sup> The FITF opponents argue that proving derivation is even more stacked against the small inventor since discovery is in the challenger's possession.<sup>107</sup> To avoid these challenges, the proponents of FITF argue that the small inventors can get the same protection from filing a provisional, but the opponents argue that "the balm of 'cheap provisionals' is snake oil, because a provisional still has to meet certain legal standards" that result in the same financial hardships as filing a full application.<sup>108</sup>

#### i. FTI Interference Proceedings

Interference proceedings occur when more than one application for the same invention is filed claiming priority to the patent.<sup>109</sup> Proponents argue that the FTI is "stacked against small entrepreneurs" because, "under the current system when two patents are filed around the same time for the same invention, the applicants must go through an arduous and expensive process called an interference to determine which applicant will be awarded the patent."<sup>110</sup> The interference rules "favor[] the larger corporation and the deep pockets over the small, independent inventor."<sup>111</sup> Small businesses cannot compete since the process is extremely costly, lengthy, and complex.<sup>112</sup> These proceedings are commonplace, and "unfairly advantage large companies with greater resources."<sup>113</sup> If the goal is to benefit small inventors, "it just isn't the case that first-to-invent actually does that."<sup>114</sup> The FITF does benefit small startups because "the filing date of the application is objective and easy to determine, resulting

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106. 157 CONG. REC. S1090 (Mar. 2, 2011) (statement of Sen. Leahy).

107. 157 CONG. REC. S1095 (Mar. 2, 2011) (statement of Sen. Feinstein).

108. 157 CONG. REC. S1112 (Mar. 2, 2011) (statement of Sen. Reid).

109. 157 CONG. REC. S1090 (Mar. 2, 2011) (statement of Sen. Leahy).

110. 157 CONG. REC. S1036 (Mar. 1, 2011) (statement of Sen. Klobuchar).

111. 157 CONG. REC. S1090 (Mar. 2, 2011) (statement of Sen. Leahy).

112. *Id.*

113. 157 CONG. REC. S1089 (Mar. 2, 2011) (statement of Sen. Leahy) (a more detailed explanation of a standard interference proceeding was provided by Senator Hatch, "if there is a dispute, it costs applicants an average of \$500,000 in legal fees to prove they were the first-to-invent. This amount does not include extra expenses that can follow if the decision is appealed. Unfortunately, many small businesses and independent inventors do not have the resources to engage in the process we have now." 157 CONG. REC. S1097 (Mar. 2, 2011) (statement of Sen. Hatch)).

114. 157 CONG. REC. S1104 (Mar. 2, 2011) (statement of Sen. Kyl).

in a streamlined and less costly process.”<sup>115</sup>

The FITF opponents argue that this constant mentioning of interference proceedings is exaggerated.<sup>116</sup> Since there are only about “50 interference proceedings a year to resolve who made an invention first.”<sup>117</sup> Due to the low number of annual interference proceedings, using this argument as the reason to transition to the FITF is an exaggeration at the very least.<sup>118</sup> The argument that the FITF “will eliminate costly, burdensome proceedings to determine who actually was the first to invent,” is a drastic solution to an illusory problem.<sup>119</sup>

## ii. FITF Derivation Proceedings

Whereas the proponents argue that the FTI interference proceedings are stacked against the small inventors, the opponents argue that there are larger issues with the derivative process when relying on the narrow grace period.<sup>120</sup> The largest problem arising from trying to prove a derivative work is that the evidence is in the challenger’s possession.<sup>121</sup> Under the FTI, “you as a first inventor can prove that you were first by presenting evidence that is in your control—your own records contemporaneously documenting the development of your invention.”<sup>122</sup> But under the FITF, to demonstrate that a third party’s patent was derived from your own, you have to submit documents demonstrating copying, and “[o]nly if there was a direct relationship between the two parties will the first inventor have such documents.”<sup>123</sup>

This is very problematic in the situation of an indirect relationship, for example where “the first inventor described his invention at an angel investor presentation where he didn’t know the identities of many in attendance,” since this would mean that evidence of copying would be in the possession of a third party.<sup>124</sup> Since the bill does not contain provisions for discovery in derivation proceedings, the first inventor has

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115. 157 CONG. REC. S1090 (Mar. 2, 2011) (statement of Sen. Leahy).

116. 157 CONG. REC. S1095 (Mar. 2, 2011) (statement of Sen. Feinstein).

117. *Id.*

118. *Id.*

119. *Id.*

120. *Id.*

121. *Id.*

122. 157 CONG. REC. S1095 (Mar. 2, 2011) (statement of Sen. Feinstein).

123. *Id.*

124. *Id.*

limited means to prove the claim.<sup>125</sup> This is not the situation under the FTI since “you as a first inventor can prove that you were first by presenting evidence that is in your control” using “your own records contemporaneously documenting the development of your invention.”<sup>126</sup>

### iii. Filing Provisional Applications

Proponents argue that the opponents are blindly arguing that this narrower grace period will force small inventors to file full patent applications, ignoring the option of filing a provisional that “requires only a written description of the invention and how to make it.”<sup>127</sup> Provisionals are a cheap alternative that provide a full year until the inventor has to file the application and “costs \$220 for a large entity, and \$110 for a small entity.”<sup>128</sup>

The showing “that an inventor must make in a provisional application is effectively the same showing that he would have to make to prove his invention date under the first-to-invent system.”<sup>129</sup> This is no additional burden than what was required under the FTI system, since “[i]f you rely on first to invent and are operating at all responsibly you are keeping an invention notebook that will meet evidentiary burdens if and when it is necessary to demonstrate conception prior to the conception of the party who was first to file.”<sup>130</sup> Therefore, under the new system, “the only additional steps that the same inventor must take are [1] writing down the same things that his notebooks are supposed to prove, [2] filing that writing with the Patent office, and [3] paying a \$110 fee.”<sup>131</sup> But the new system is better because instead of facing the prohibitively

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125. *Id.*

126. 157 CONG. REC. S1182 (Mar. 3, 2011) (statement of Sen. Feinstein).

127. 157 CONG. REC. S1041 (Mar. 1, 2011) (statement of Sen. Kyl).

128. *Id.*

129. *Id.*

130. *Id.* (Senator Kyl goes into more description arguing that “your invention notebook or invention record will detail, describe, identify and date conception so that others skilled in the art will be able to look at the notebook/record and understand what you did, what you knew, and come to the believe that you did in fact appreciate what you had. If you have this, you have provable conception. If you have provable and identifiable conception, you also have a disclosure that informs and supports the invention. . . . [And] [i]f the notebook provably demonstrates conception, then it can be filed as a provisional patent application at least for the purpose of staking a claim to the conception that is detailed with enough specificity to later suppose an argument in a first to invent regime.”).

131. *Id.*

expensive interference proceedings, the FITF system offers these inventors “a cost-effective and certain path to protect one’s invention through the filing of a provisional application, at a much more reasonable cost of about \$100.”<sup>132</sup> When the option of provisional applications is considered with the “bill’s enhanced grace period, it should be clear that the first-to-file system will not be at all onerous for small inventors.”<sup>133</sup>

Opponents argue that the simple remedy of filing cheap provisional patent applications is not how it works in reality since “patent lawyers who work with small clients have said that they advise their clients not to treat a provisional application any less seriously than a full patent application.”<sup>134</sup> This is not a cheap and easy solution, and it is not necessarily as easy as just simply writing a description of the invention and how it works.<sup>135</sup> This is because a quick description of the work could open up the application to attack with the argument “that the inventor failed to disclose the ‘best mode’ of the invention by leaving out necessary information.”<sup>136</sup>

Furthermore, “[i]f there is a part of the invention that is left out of the provisional application, that will not be protected.”<sup>137</sup> Therefore, when FITF proponents argue that small inventors can easily guarantee priority by filing a provisional, this “balm of ‘cheap provisionals’ is snake oil, because a provisional still has to meet certain legal standards,” and meeting these standards puts small inventors right back in the middle of the issues with the FITF.<sup>138</sup>

## 2. *June 2011 House Debates:*

The House version of the AIA was debated on the floor on June 22 and 23, 2011.<sup>139</sup> Similar to the amendment in the Senate, Rep. Sensenbrenner introduced an amendment to strike the first-to-file provisions from the AIA.<sup>140</sup> Although this amendment was defeated by a vote of 129 to 295, the arguments reflect the same underlying issues that dominated

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132. 157 CONG. REC. S1097 (Mar. 2, 2011) (statement of Sen. Hatch).

133. 157 CONG. REC. S1041 (Mar. 1, 2011) (statement of Sen. Kyl).

134. 157 CONG. REC. S1095 (Mar. 2, 2011) (statement of Sen. Feinstein).

135. *Id.*

136. *Id.*

137. *Id.*

138. 157 CONG. REC. S1112 (Mar. 2, 2011) (statement of Sen. Reid).

139. Matal, *supra* note 11, at 461.

140. 157 CONG. REC. H4420-21 (June 22, 2011).

the Senate debates—a concern for small businesses under the FITF system.<sup>141</sup>

*a. FITF Provision:*

*i. Proponents of the FITF:*

The House proponents of the FITF argued that patent reform was always going to be complex, since the patent system is an “ecosystem [] comprised of many different operating models.”<sup>142</sup> Therefore, in deciding to adopt a FITF system, Congress “evaluated competing patent reform proposals thoroughly to ensure that sweeping changes in one part of the system do not result in unintended consequences to other important parts.”<sup>143</sup> The FITF system has the intended benefits of creating “a more efficient and reliable patent system that benefits all inventors, including independent inventors.”<sup>144</sup> The FITF system is “absolutely consistent with the Constitution’s requirement that patents be awarded to the ‘inventor.’”<sup>145</sup>

Furthermore, it protects the independent inventors by providing “a more transparent and certain grace period,” and paired with the definiteness of the filing date protection, this new system “enables inventors to promote, fund, and market their technology, while making them less vulnerable to costly patent challenges that disadvantage independent inventors.”<sup>146</sup> This new FITF system “makes our patent system stronger, increases patent certainty, and reduces the cost of frivolous litigation.”<sup>147</sup>

*ii. Opponents of the FITF*

The FITF opponents contest the constitutionality of awarding a patent to the first person to file a patent application and argue that the FITF fails to protect the most important entity to entrepreneurship, the small inventor. The opponents argue that the FITF is unconstitutional because Article 1, Section 8, clause 8 “requires Congress to secure for

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141. 157 CONG. REC. H4501 (June 23, 2011).

142. 157 CONG. REC. H4427 (June 22, 2011) (statement of Rep. Jackson Lee).

143. *Id.*

144. 157 CONG. REC. H4482 (June 23, 2011) (statement of Rep. Smith).

145. 157 CONG. REC. H4420 (June 22, 2011) (statement of Rep. Smith).

146. 157 CONG. REC. H4491 (June 23, 2011) (statement of Rep. Smith).

147. 157 CONG. REC. H4482 (June 23, 2011).

inventors the exclusive rights to their respective writing and discovery.”<sup>148</sup> This transition to the FITF “throws that out the window and replaces it with a system that legalizes a rather clever form of intellectual property theft.”<sup>149</sup> Furthermore, this unconstitutional approach will have lasting repercussions since it will bring with it “extended litigation for years to come, along with complete uncertainty to our markets, killing jobs and killing innovation.”<sup>150</sup>

This bill does not ensure “that small companies have the same opportunities to innovate and have their inventions patented.”<sup>151</sup> The goal should be a bill that encourages “entrepreneurship, protects intellectual property rights, and sends a message abroad that strengthens patent rights at home,” but this bill “fails on all these scores.”<sup>152</sup> The FITF is a “missed opportunity” to both encourage entrepreneurship and strengthen intellectual property rights.<sup>153</sup>

#### *b. Grace Period Considerations*

The grace period debate in the House mirrored that of the debate in the Senate. The issue was not that the proposed AIA had no grace period, but that the state of the grace period was diminished,<sup>154</sup> and as such, this would work against the needs of small businesses.<sup>155</sup>

#### *i. Proponents of the Revised Grace Period*

The FITF supporters contend that the AIA “while not perfect, does a surprisingly good job at striking the right balance.”<sup>156</sup> This balance is between providing the much-needed update to the patent system while “ensur[ing] that whatever improvements we make to the patent laws are not done so at the expense of innovators and to innovation.”<sup>157</sup>

This balance is struck in the grace period provisions that are “designed to make a very strong grace period for inventors

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148. 157 CONG. REC. H4421 (June 22, 2011) (statement of Rep. Kaptur).

149. *Id.*

150. *Id.*

151. 157 CONG. REC. H4485 (June 23, 2011) (statement of Rep. Jackson Lee).

152. 157 CONG. REC. H4433 (June 22, 2011) (statement of Rep. Pelosi).

153. *Id.*

154. 157 CONG. REC. H4481 (June 23, 2011) (statement of Rep. Conyers).

155. 157 CONG. REC. H4430 (June 22, 2011) (statement of Rep. Lofgren).

156. 157 CONG. REC. H4427 (June 22, 2011) (statement of Rep. Jackson Lee).

157. *Id.*

that have made a disclosure that satisfies 102(b).<sup>158</sup> Once inventors have made such a disclosure, they receive grace period protection “not only from their own disclosure but from other prior art from anyone that follows their disclosure.”<sup>159</sup> This grace period benefits small businesses since it protects the “ability of an inventor to discuss or write about his or her ideas for a patent up to a year before he or she actually files for patent protection.”<sup>160</sup> By making the priority date of the patent the filing date, it simplifies the system so that “everyone in the world can measure the patent against competing applications and patents and relevant prior art.”<sup>161</sup> They argue that this bill shows that they are “mindful of the importance of ensuring that small companies have the same opportunities to innovate and have their inventions patented and that the laws will continue to protect their valuable intellectual property.”<sup>162</sup>

Further, the one-year grace period was retained so as to protect inventors before they file and “ensures collaborative research does not constitute prior art that defeats patentability.”<sup>163</sup> The transition to the FITF would put an end to the expensive and unsuccessful interference proceedings.<sup>164</sup> If the small inventors do not want to use the grace period, they can file inexpensive provisional applications so as to secure priority dates.<sup>165</sup> Whereas under the FTI system, it had become monetarily impossible for small inventors to fight for priority, this would not be the case under the FITF system.<sup>166</sup> Under the FITF, small inventors would have “a bold timeline of filing dates,” to use to easily assert and defend their position as rightful patent holder.<sup>167</sup>

#### ii. Opponents of the Revised Grace Period:

The major issue with the grace period as provided under the AIA is that it does not extend to cover all the prior art covered under the FTI legislation.<sup>168</sup> By protecting “only

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158. 157 CONG. REC. H4429 (June 22, 2011) (statement of Rep. Smith).

159. *Id.*

160. 157 CONG. REC. H4481 (June 23, 2011) (statement of Rep. Conyers).

161. 157 CONG. REC. H4492 (June 23, 2011) (statement of Rep. Smith).

162. 157 CONG. REC. H4427 (June 22, 2011) (statement of Rep. Jackson Lee).

163. 157 CONG. REC. H4423 (June 22, 2011) (statement of Rep. Smith).

164. 157 CONG. REC. H4428 (June 22, 2011) (statement of Rep. Chabot).

165. *Id.*

166. *Id.*

167. *Id.*

168. 157 CONG. REC. H4430 (June 22, 2011) (statement of Rep. Lofgren).

disclosures,” this means that grace period protection does not extend to trade secrets or offers for sale that are not public.<sup>169</sup> A grace period not protecting these activities would result in “entrepreneurs who start an invention and start a small business who won’t be able to get a patent for their invention under the grace period, and the entrepreneurs might then be forced to delay bringing their products to market, which would slow growth.”<sup>170</sup> This is problematic because if the inventor does not want to disclose their invention, they “are quite potentially out of luck.”<sup>171</sup> This especially hurts the small inventor process, since the first step is to get venture capital together prior to filing for a patent.<sup>172</sup> But due to this revised grace period, “the inventor has to put all of the money up front to file in order to protect himself; and what that will do is have a chilling effect on the small inventor who needs to get capital in order to perfect a patent and in order to market it.”<sup>173</sup>

The opponents of the revised grace period are split between being resigned to the FITF system versus arguing for delayed implementation of the FITF provisions so allow for a stronger grace period. The general idea of delaying until a stronger grace period is developed is that “the United States has had the gold standard in patents with this grace period.” To narrow the grace period would be a “shame not just for the Congress but for our country and our future as innovators” since the grace period is the “genius part of our patent system.”<sup>174</sup> What both sides of the debate agree upon is that small inventors need a “robust, broad, rigorous protection under the grace period with a broad definition of a period art that is protected,” and the AIA’s revised grace period does not offer this.<sup>175</sup>

To actually take considerations of and provide for small businesses, there has to “robust protection for prior user rights, including prior user rights in the grace period” but these provisions are missing.<sup>176</sup> The failure to include prior art such as trade secrets undercuts the inventor process that small

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169. *Id.*

170. *Id.*

171. *Id.*

172. 157 CONG. REC. H4490 (June 23, 2011) (statement of Rep. Speier).

173. 157 CONG. REC. H4493 (June 23, 2011).

174. 157 CONG. REC. H4431 (June 22, 2011) (statement of Rep. Lofgren).

175. 157 CONG. REC. H4430 (June 22, 2011).

176. 157 CONG. REC. H4424 (June 22, 2011).



businesses rely on.<sup>177</sup> The narrowing of the grace period will be “harmful to innovation and burdensome to the most dynamic and innovative sector of our economy.”<sup>178</sup> Startups will either have to reveal trade secrets or license them in order to obtain the same grace period protection they would have previously received under the FTI.<sup>179</sup>

Furthermore, the option of provisionals is problematic as well since “good provisional applications require substantial legal fees and time investment on the part of the inventor to make them sufficiently detailed to be of use.”<sup>180</sup> With the other option being to depend on an unsure grace period, small inventors will be forced to join the rush to the Patent Office, adding new costs of retaining outside counsel to assist with possibly impractical applications.<sup>181</sup> This entire process will be “a drain on their limited resources and mean less money for hiring and the actual act of innovation.”<sup>182</sup>

## II. IDENTIFICATION OF A LEGAL PROBLEM

The focus of the debates in the final months prior to the AIA’s passage was to meet the needs of small entrepreneurs. Contrary to what the contentious debates would suggest, both the proponents and opponents agreed on the specific needs of startups, they just disagreed on how best to satisfy those needs. These debates left questions lingering as to: (1) why the FITF and new grace period provisions went so long unchallenged only to cause an uproar in the final months prior to the AIA’s passage, (2) whether the change from the FTI to the FITF has negatively changed the nature of the innovation process for small business, and (3) whether Congress’ alterations to the grace period helped or hindered small businesses. The answers to these issues will provide some resolution to the overarching question: were the contentious debates prophetic of future issues, or did the changes accomplish the legislative purpose?

With the benefit of hindsight and two years since the effective date of the FITF and revised grace period provisions, although the FITF may have changed the patenting strategy

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177. *Id.*

178. 157 CONG. REC. H4492 (June 23, 2011) (statement of Rep. Schiff).

179. 157 CONG. REC. H4492 (June 23, 2011) (statement of Rep. Lofgren).

180. 157 CONG. REC. H4492 (June 23, 2011) (statement of Rep. Schiff).

181. *Id.*

182. *Id.*

of small entities, it is the revised grace period that demands revision so as to better align with the legislative purpose for which it was designed.

### III. ANALYSIS

To answer the overarching question of whether the contentious debates were prophetic of future issues with the FITF and grace period provisions, it is necessary to look at what the legislative intent was behind the modifications made to Section 102.

#### A. *Statutory Construction of the FITF and Grace Period*

The 2007 House Judiciary Committee Report's discussion on the effects of the FITF and revised grace period on small entities both helps to explain why small businesses became so pivotal in the final congressional debates, in addition to articulating the congressional intent towards these entities in drafting these provisions.<sup>183</sup>

The Report emphasized that the FITF system has the support of United States businesses "representing every sector of industry," because "[b]usinesses of every size seek to protect their inventions throughout the world."<sup>184</sup> The Committee

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183. Matal, *supra* note 11 at 476–77. The 2007 House Judiciary Committee Report's detailed explanation of the grace period is particularly relevant in explaining the final law due to the substantial similarity between both bills. *Id.* at 477. In the House Bill 1908, § 102(a)(1)(b) states that a patent could not be claimed for an invention "described in a printed publication, in public use, or on sale," if this occurred "one year or less before the effective filing date of the claimed invention other than through disclosures made by the inventor or a joint inventor or by others who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor." H.R. REP. NO. 110-314 (2007). The prior inventor disclosure exception outlined in § 102(b)(1), stated that § 102(a)(1)(b) "shall not be prior art to a claimed invention under that subparagraph if the subject matter had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or others who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor." *Id.* The other provisions in Section 102(a) and (b) in the House Bill are identical in substance and placement in both 2007 House Bill and in the AIA. The final law employs nearly identical provisions in § 102(b)(1)(A) and §102(b)(1)(B). Pub. L. 113-31 AIA 35 U.S.C. §102(b)(1)(A)–102(b)(1)(B).

184. H.R. REP. NO. 110-314 at 20, 23 (2007) ("Among the many agencies and groups calling for some form of patent reform include the United States Patent and Trademark Office (USPTO), the Federal Trade Commission (FTC), the National Academy of Science, the Intellectual Property Owners Association, the American Bar Association Intellectual Property Division, the American Intellectual Property Law Association, and businesses representing every sector of industry.").

recognized that this support is essential because the transition to the FITF is one of the most significant changes to the existing patent law.<sup>185</sup> As such, the Committee asserted that “the 1-year inventor’s grace period is maintained and important exceptions to the prior art are established,” in order to facilitate a seamless transition.<sup>186</sup> The grace period is intended to therefore “effectively address any lingering concerns that a first-inventor-to-file system will force inventors to patent their inventions before they are ready for patenting.”<sup>187</sup>

The 2007 Report’s section-by-section analysis explains that the purpose for the new grace period was to provide for the specific needs of small inventors.<sup>188</sup> This is illustrated by Congress’ juxtaposition of the strictness of a true First-to-File system and how the revised grace period can offset this restrictiveness. The FTF system is strict because of the general rule that when “two independent inventors come up with the same invention, priority will go to the first inventor to submit an application.”<sup>189</sup> The Committee recognized there would be exceptions where the senior application should not serve as prior art and bar the junior applicant, and thus made sure the statutory language provided for these exceptions.<sup>190</sup> The exceptions to prior art are intended to offset the restrictive nature of the FITF system and provide the necessary patent protection for the small businesses prior to filing.<sup>191</sup> Small inventors especially rely on a grace period in the invention process since it enables them to “assess the usefulness,

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185. *Id.* at 21.

186. *Id.* at 23 (“[S]uch as first-to-publish rule that preserves an inventor’s priority of application in limited circumstances where he publicly discloses his invention.”).

187. *Id.* at 23.

188. Matal, *supra* note 11 at 476.

189. H.R. REP. NO. 110-314, at 57 (2007).

190. *Id.* at 58.

191. *Id.* at 57. The first exception was the “First to Disclose Rule,” which provided that if an inventor publicly discloses his invention, he establishes priority to that invention as long as he files the patent application within a year. H.R. REP. NO. 110-314, at 57 (2007) (this generalization overlooks the potential issues that become the source of the debates on the floor of the House and Senate in 2011). The second exception addresses derivation works, where if the senior applicant’s claims are obtained indirectly from the junior applicant’s, the senior application will not constitute prior art. *Id.* at 58 (this language is the same found in the AIA). The third exception addresses when the subject matter of the senior application was previously publicly disclosed by the junior applicant, the later holds the rights. *Id.*

marketability and practicality of the invention for a limited period of time before undertaking the expense of obtaining a patent.”<sup>192</sup> Since the “limitations inherent in a strict F-T-F system may be too restrictive given the nature of invention, discovery and development,” the new grace period was intended to offset this restrictiveness.<sup>193</sup>

The 2007 Committee Report sought to clarify any confusion by setting “a definitive legislative history of those sections to ensure clarity in our meaning.”<sup>194</sup> The House and Senate both emphasized that “[if] an inventor’s action is such that it triggers one of the bars under 102(a), then it inherently triggers the grace period subsection 102(b).”<sup>195</sup> Because of this parallelism in an inventor’s actions, “if an inventor triggers section 102(a) with respect to an invention, then he or she has inherently also triggered the grace period under 102(b),” as long as the inventor complies with the grace period’s one year filing requirement.<sup>196</sup> Sections 102(a) and (b) are to work in tandem to “make a very strong grace period,” since once this disclosure is made, inventors are “protected during the grace period, not only from their own disclosure, but also from disclosures by others that are made after their disclosure.”<sup>197</sup>

The 2007 Committee supported this belief that the FITF and new grace period resolved small business concerns<sup>198</sup> with the fact that it had conducted substantial research in developing H.R. 1908—“proceed[ing] in a deliberative fashion, soliciting at every stage the input and advice of all users of the patent system.”<sup>199</sup> It had considered “the testimony collected at numerous hearings over the past several years,” which led

192. *Id.* at 56–57.

193. *Id.* at 57.

194. 157 CONG. REC. H4429 (June 22, 2011) (statement of Rep. Bass) (despite the explanation of the prior art exceptions, there remained confusion as to the interplay between § 102(a) and (b)).

195. 157 CONG. REC. H4429 (daily ed. June 22, 2011) (statement of Sen. Smith); *see also* 157 CONG. REC. S1496 (Mar. 9, 2011) (statement of Sen. Leahy).

196. 157 CONG. REC. H4429 (daily ed. June 22, 2011) (statement of Rep. Bass); the change in wording of subparagraph (b) of § 102(b)(2) was to track the wording of subparagraph (b) of § 102(b)(1). 157 CONG. REC. S1369 (Mar. 8, 2011) (statement of Sen. Kyl) (the reason why a clarification was needed was that they are “intended to operate in the same way, and their previous inferences in wording, although not substantive, tended to create an implication that they were intended to operate in different ways.”).

197. 157 CONG. REC. S1497 (Mar. 9, 2011) (statement of Sen. Leahy).

198. 157 CONG. REC. S1089 (Mar. 2, 2011).

199. H.R. REP. NO. 110-314, at 46–47 (2007).

the Committee to be confident that the new grace period would “effectively address any lingering concerns” that arose due to the restrictive nature of the FITF system.<sup>200</sup> The 2007 Committee was convinced that any concerns related to premature patent filing and FITF disadvantages for small inventors would be mainly appeased under the FITF.<sup>201</sup>

Evident from the 2007 Committee Report, the structuring of FITF and the revised grace period centered around the considerations of small business, which explains why the subject matter of small businesses was the focal point of the final debates, but fails to explain why the provisions went uncontested for so long.

*B. Section 102 Went Relatively Uncontested Until the Final Months Because the Focus of the AIA was Harmonization*

The debates predominant focus on small businesses in the final months prior to the AIA’s passage overshadowed the original purpose of the AIA—harmonization with international patent systems. The AIA’s patent reforms, as stated at the initial stages of the bill in the 2005 House hearings, was in response to the “need to harmonize U.S. patent laws with the patent laws of foreign countries.”<sup>202</sup> Thus, the revised Section 102 went relatively unchallenged over the course of five years of AIA legislation since harmonizing meant harmonizing with international patent systems that had, at most, limited grace periods, so there was no comparable international provisions to conflict.

Further, the lack of controversy was not unique to just the FITF and grace period provisions since “two-thirds of the present bill ha[d] never been controversial and ha[d] been included in all of the various iterations of this bill ever since the first patent reform act.”<sup>203</sup> But, nonetheless, this intent to modernize the patent system resulted in a controversial Section 102, opponents arguing that this bill went too far in

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200. *Id.* (the Committee considered testimony from 18 total hearings).

201. *Id.* at 23.

202. *Patent Act of 2005: Hearing on H.R. 2795 Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary*, 109th Cong. 3 (2005) (statement of Rep. Berman).

203. 157 CONG. REC. S1040 (Mar. 1, 2011) (statement of Sen. Kyl).

harmonization. The changes actually “Europeanize[] our patent system by granting the rights to an invention to whoever wins the race to the Patent Office.”<sup>204</sup> Although the concept of harmonization sat relatively well with Congress, the opponents of the revised Section 102 drew the line at a filing footnote.

Interestingly, and contrary to what the debates would suggest, the parties actually agreed on the specific needs of startups.

### *C. Agreement on Specific Needs of Small Startups*

Although difficult to tell from the debates themselves, the parties actually agreed on what the specific needs of small inventors were.<sup>205</sup> First, both the proponents and opponents agreed that small businesses have a longer innovation period which needs to be protected. Both sides agreed that “[t]he genius of America is inventions in small garages and labs, in great ideas that come from inspiration and perspiration in such settings then take off.”<sup>206</sup> But this innovation requires growing of ideas, and small inventors especially need protection during this time since there is a longer duration between the inception of an idea and the readiness to file a patent to protect it.<sup>207</sup>

Second, the parties agreed that small inventors are bound by economic factors that require an assurance that their ideas are protected. Small businesses are in a precarious position, “in a race against insolvency during this early stage.”<sup>208</sup> In order to win this race, small inventors need time in order to “develop, vet, and perfect their invention,” so as to “begin commercialization, advance sales, seek inventors and business partners, and obtain sufficient funds to prosecute the patent application.”<sup>209</sup> There already exists the harsh reality that “most of these ideas ultimately do not pan out.”<sup>210</sup> A weak

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204. 157 CONG. REC. H4421 (June 22, 2011) (statement of Rep. Kaptur).

205. 157 CONG. REC. S1094 (Mar. 2, 2011) (statement of Sen. Feinstein).

206. *Id.* (explaining how “[s]o many of America’s leading companies—Hewlett Packard, Apple, Google, even AT&T arising from Alexander Graham Bell’s lab, for example—started in such settings and grew spectacularly, creating jobs for millions of Americans and lifting our economy and standard of living.”).

207. *Id.*

208. *Id.*

209. *Id.*

210. *Id.* (This tends to be the case since “either testing or development proves [the ideas] are not feasible technologically, or they prove not to be viable

grace period that would strip small businesses of the protection over their ideas would drastically steepen the existing uphill battle to invention. Small inventors need a patent system that provides protection for this interim period of time, after creation but before application, that allows small inventors to continue research and development, resulting in an idea that investors will want to invest in.<sup>211</sup>

Where the disagreement arose was over how best to tailor Section 102 to best serve the unique needs of small businesses. This disagreement spurred the contentious debates and resulted in the lingering questions of which fears were founded and whether the legislative goals were realized.

*D. Founded and Unfounded Fears from the Congressional Debates*

*1. First-Inventor-to-File & Grace Period*

The Congressional debates over the FITF and revised grace period centered on similar concerns regarding the effects on small businesses and innovation.

*a. Recap of Proponents and Opponent Arguments:*

The Senate proponents argued that the FITF provision would neutralize the structural advantage that big companies previously had through increasing the certainty and simplifying the priority process, resulting in an expedited and efficient innovative process.<sup>212</sup> The House proponents made similar points, also emphasizing that they had thoroughly evaluated many proposals to ensure that the revisions would not result in unintended consequences.<sup>213</sup> Both the House and Senate proponents stated that the new grace period provides unambiguous guidelines for small businesses, allowing them to discuss and market their ideas without the concern of leaving their idea vulnerable to big companies.<sup>214</sup>

The Senate opponents argued that the FTI system made America the leader in innovation and therefore the system did not need a fix. To add insult to injury, the FITF incentivizes a filing footrace, disadvantaging the small companies who lack

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economically.”).

211. 157 CONG. REC. S1094 (Mar. 2, 2011) (statement of Sen. Feinstein).

212. See *infra* Part I.C.1.b.i.

213. See *infra* Part I.C.2.a.i.

214. See *infra* Parts II.C.1.iii.a, II.C.2.iii.a.

the resources to speed up the innovation process.<sup>215</sup> The House opponents also argued that the Constitution requires Congress to ensure that the exclusive rights are secured for inventors, yet the FITF throws that out of the window and legalizes a clever form of intellectual property theft.<sup>216</sup> The Senate and House opponents argued that the grace period is substantially narrowed and therefore protects substantially less of the necessary activities of small businesses, such as trade secrets or non-public offers for sale, gutting the grace period of any value to small inventors. This is compounded by the fact that it is unclear what activities will trigger the grace period, which will result in litigation and disparate interpretations of its meaning.<sup>217</sup>

*b. Founded or Unfounded Fears*

The 2014 Annual Report of the USPTO reported that there were 618,330 patent applications filed, which was an increase from the year prior, and an approximate one percent increase from pre-AIA patent application filing numbers.

Table 1<sup>218</sup>

TABLE 1: Summary of Patent Examining Activities (FY 2010-FY 2014) (Preliminary for FY 2014)					
Patent Examining Activity	2010	2011	2012	2013	2014
Applications filed, total <sup>215</sup>	510,060	537,171	565,566	601,464	618,330

Further, the number of patents issued increased to 329,613 patents, increasing approximately one percent from the pre-AIA patents issued.

Table 2<sup>219</sup>

Patents Issued <sup>216</sup>	233,127	244,430	270,258	290,083	329,613
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Despite the September 2013 effective date of the FITF and revised grace periods, the above tables demonstrate that—contrary to the arguments by the opponents of the FITF and revised grace period that these provisions would impede

215. See *infra* Part I.C.1.b.ii.

216. See *infra* Part II.C.2.a.ii.

217. See *infra* Parts II.C.1.c.ii.

218. U.S. PATENT & TRADEMARK OFFICE, U.S. PATENT AND TRADEMARK OFFICE PERFORMANCE AND ACCOUNTABILITY REPORT FOR FISCAL YEAR 2014 at 143 (2014) available at <http://www.uspto.gov/about/stratplan/ar/USPTOFY2014PAR.pdf>.

219. *Id.*



innovation—both patent applications and patents issued actually increased despite the September 2013 effective date of the FITF and revised grace periods.

Table 3<sup>220</sup>

<b>TABLE 11: Utility Patents Issued to Small Entities (FY 2010-FY 2014)</b>					
<b>Fiscal Year of Grant</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Percentage Micro Entity*</b>	-	-	-	<b>0.53%</b>	<b>1.54%</b>
US origin**	-	-	-	0.98%	2.82%
Foreign origin**	-	-	-	0.12%	0.34%
<b>Percentage Small Entity</b>	<b>19.87%</b>	<b>19.80%</b>	<b>20.32%</b>	<b>20.54%</b>	<b>19.47%</b>
US origin**	27.76%	27.87%	28.21%	28.03%	25.84%
Foreign origin**	12.22%	12.16%	13.04%	13.75%	13.47%
<b>Percentage Large Entity</b>	<b>80.13%</b>	<b>80.19%</b>	<b>79.68%</b>	<b>78.93%</b>	<b>78.99%</b>
US origin**	72.24%	72.13%	71.79%	70.99%	71.37%
Foreign origin**	87.78%	87.84%	86.96%	86.13%	86.19%

\*The Micro Entity Status category was introduced March 19, 2013.  
 \*\*Patent origin is based on residence of the first-named inventor.

Although innovation generally was not slowed, the question is how many of these patent applications and issuances are attributable to small entities? Consistent with the warnings made by the opponents, the patents issued to small entities dropped in 2014. Whereas in 2013, the percentage of the patent issued that were attributed to small entities was approximately twenty percent, it dropped to approximately nineteen percent after the effective date of the FITF and grace period. Although this may seem minimal, this percentage is even lower than the 2010 percentage. But these statistics provided in the 2014 Annual Report of the USPTO can only convey so much as to the true effect of the FITF and revised grace period on small businesses. Despite how thorough Congress had been in considering the possible versions of the FITF and revised grace period provisions, Congress was also aware that unintended consequences could arise.

When implementing the AIA, Congress had directed the Small Business Administration, in coordination with the USPTO, to produce a report on the effect of the FITF on small businesses.<sup>221</sup> This report was intended to cover how the FITF transition “affect[ed] small businesses’ ability to obtain

220. *Id.* at 153.

221. The Leahy-Smith America Invents Act, Pub. L. 112-29, 125 Stat. 284 (2011).

patents, any advice or advantages or disadvantages the system create[d] for small businesses, and cost savings or other potential benefits.”<sup>222</sup> Interestingly, although the report was due within one year from the date of enactment of the AIA—September 16, 2012—the report has not issued nor has there been any status update addressing its delay.<sup>223</sup> Congress also required the USPTO to study how the implementation of the AIA has affected innovation, competitiveness in the U.S., and access to capital for small business investment.<sup>224</sup> This report is due by September 16, 2015, and will also include any recommendations for changing patent laws and regulations.

As for the constitutionality argument, the USPTO is beginning to see the first of the cases challenging the USPTO’s implementation of the first-inventor-to-file system.<sup>225</sup> Further, the USPTO is expecting these cases to only increase, and has taken steps to expand its staff to handle the increased volume in challenges to the FITF provision.<sup>226</sup> But, as of February 2015, the Supreme Court has denied the writ for certiorari in the first case, *Madstad Engineering, Inc. v. Patent and Trademark Office*,<sup>227</sup> challenging the constitutionality of the FITF provision. Interestingly, although the United States Court of Appeals for the Federal Circuit affirmed the legal conclusion of the district court that the *Madstad* appellants

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222. *Effects of First-to-File on Small Businesses*, U.S. PATENT AND TRADEMARK OFFICE, <http://www.uspto.gov/patent/laws-and-regulations/america-invents-act-aia/aia-studies-and-reports> (last visited Mar. 30, 2015).

223. *Id.* This has been noticed by other parties, such as the National Small Businesses Administration in an October 2012 letter sent to the Office of Patent Legal Administration, highlighting the “failure of the USPTO, in conjunction with the U.S. Small Business Administration” in conducting a study on the potential effects of the FITF on small businesses. Letter from Todd O. McCracken, President, National Small Business Association, to Susy Tsang-Foster, Legal Advisor, Office of Patent Legal Administration (Oct. 5, 2012), available at [http://www.uspto.gov/patents/law/comments/nsba\\_20121005.pdf](http://www.uspto.gov/patents/law/comments/nsba_20121005.pdf).

224. *Implementation of AIA*, U.S. PATENT & TRADEMARK OFFICE, <http://www.uspto.gov/patent/laws-and-regulations/america-invents-act-aia/aia-studies-and-reports> (last visited Mar. 30, 2015).

225. U.S. PATENT & TRADEMARK OFFICE, U.S. PATENT AND TRADEMARK OFFICE PERFORMANCE AND ACCOUNTABILITY REPORT FOR FISCAL YEAR 2014 at 19 (2014), available at <http://www.uspto.gov/about/stratplan/ar/USPTOFY2014PAR.pdf>.

226. *Id.* (as the primary litigator for the USPTO, “the Solicitor’s Office in the USPTO’s OGC has expanded the number of attorneys and paralegals on its staff” in hopes to “successfully meet the challenges associated with what is expected to be continued growth in agency litigation.”).

227. *Madstad Eng’g, Inc. v. U.S. Patent & Trademark Office*, No. 14-366 (U.S. Feb. 23, 2015).

lacked standing, thus not fully reaching the constitutionality argument, the court also did not foreclose upon future arguments.<sup>228</sup> As aptly stated by the District Court, the determination of “the constitutionality of the AIA’s [FITF] provision and other provisions must await a more tangible, immediate, defined, and sharp dispute by a more directly affected party.”<sup>229</sup> And if the USPTO’s increase in staffing is any indication, there will be parties in the near future that will satisfy the standing requirement, forcing the courts to address the constitutionality issue.

2. *Provisionals and the FTI Interference vs. FITF Derivation Proceedings Debate:*

a. *Recap of Proponents and Opponents’ Arguments:*

The proponents argued that in light of the expense, complexity, and length of the FTI interference proceedings, the proceedings favor large corporations. Whereas the FITF system makes the priority date “objective and easy to determine, resulting in a more efficiently and less costly process.”<sup>230</sup> Further, the argument that the FITF and revised grace period will force small inventors to file full patent applications is unfounded, since a provisional application is a cheap alternative that ensures protection for a year prior to filing the full application.<sup>231</sup>

The opponents argued that emphasis on negative aspects of interference proceedings is exaggerated since there so few proceedings annually. Further, the derivation process under the FITF is even more stacked against the small inventor since evidence necessary to prove a derivative work is in the challenger’s possession.<sup>232</sup> The option of provisionals is also misleading since a provisional application must still satisfy certain legal standards, thus imposing the same financial hardship as filing a full application, resulting in rushing

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228. Natalie A. Bennett, *Federal Circuit Sidesteps Constitutionality of America Invents Act (AIA) First-to-File Provision*, NAT’L L. REV. (Aug. 29, 2014), available at <http://www.natlawreview.com/article/federal-circuit-sidesteps-constitutionality-america-invents-act-aia-first-to-file-pr>.

229. *Madstad Eng’g, Inc. v. U.S. Patent & Trademark Office*, No. 8:12-cv-1589-T-23MAP, 2013 WL 3155280 at \*7 (M.D. Fla. May 8, 2013).

230. See *infra* Part I.C.1.d.i.

231. See *infra* Part I.C.1.d.iii.

232. See *infra* Part I.C.1.d.

inventors to describe an invention that is not yet ready.<sup>233</sup>

*b. Founded or Unfounded Fears:*

The 2014 Annual Report of the USPTO provided the following results as it relates to provisional filings:

Table 4<sup>234</sup>

Patent Examining Activity	2010	2011	2012	2013	2014
<b>Applications filed, total<sup>12</sup></b>	<b>510,060</b>	<b>537,171</b>	<b>565,566</b>	<b>601,464</b>	<b>618,330</b>
Utility <sup>3</sup>	479,332	504,663	530,915	564,007	579,782
Reissue	1,138	1,158	1,212	1,074	1,208
Plant	1,013	1,103	1,181	1,318	1,124
Design	28,577	30,247	32,258	35,065	36,216
<b>Provisional Applications Filed<sup>14</sup></b>	<b>140,561</b>	<b>150,187</b>	<b>163,031</b>	<b>177,942</b>	<b>169,170</b>

Table 4 demonstrates that provisional applications actually dropped after the September 2013 effective date of the FITF and revised grace period.

Contrary to the argument of the proponents, the FITF and revised grace period did not result in a permanent filing footrace which would force an unusual rise in provisional applications. This is evidenced by the fact that the number of provisionals in 2014 only increased by approximately 6,000 applications. But what is significant is the spike in 2013, which would have included the effective date of the FITF and revised grace period provisions. Uncharacteristic of the steady increase in provisional applications between 2010 and 2012, there was close to a 15,000 surge in provisional filings. This aligns with the opponents argument that the uncertainty of the FITF and revised grace period will result in a filing footrace, but what the opponents did not consider is that it may only spur a footrace until the dust of this transition settled, as it appeared to do, evidenced by the reduction of approximately 9000 applications after 2013.

As it relates to interference proceedings, a summary of pending patent applications showed that in 2014, there were only eighty three pending patent applications in interference proceedings:

233. See *infra* Part I.C.1.d.

234. U.S. PATENT & TRADEMARK OFFICE, U.S. PATENT AND TRADEMARK OFFICE PERFORMANCE AND ACCOUNTABILITY REPORT FOR FISCAL YEAR 2014 at 143 (2014), available at <http://www.uspto.gov/about/stratplan/ar/USPTOFY2014PAR.pdf>.

Table 5<sup>235</sup>

Stage of processing	Utility, plant and reissue applications	Design applications	Total patent applications
Pending patent applications, total	1,176,071	51,571	1,227,642
In preexamination processing, total	137,983	2,352	140,335
Under examination, total	945,059	41,932	986,991
Undocketed	54,015	6,760	60,775
Awaiting first action by examiner	413,648	28,191	441,839
Subtotal applications awaiting first action by examiner <sup>3</sup>	605,646	37,303	642,949
RCE Awaiting First Action	46,441	-	46,441
Rejected, awaiting response by applicant	308,490	5,624	314,114
Amended, awaiting action by examiner	80,463	1,174	81,637
In interference	82	1	83

This was a decrease from the 2013 Annual Report of the USPTO , where there were ninety eight total pending patent applications in interference.<sup>236</sup> But this is a marked decreased from the 2011 Annual Report of the USPTO, which showed a total of 2,089 patent applications pending in interference.<sup>237</sup> As of September 2014, there were only six derivation proceeding cases:

Table 6<sup>238</sup>

<b>Derivation Proceeding cases</b>	
Cases pending as of 9/30/13	1
Cases filed during FY 2014	5
<b>Derivation Proceeding cases, FY 2014 total</b>	<b>6</b>
Cases not instituted, terminated, decided during FY 2014	3
<b>Cases pending as of 9/30/14</b>	<b>3</b>

235. U.S. PATENT & TRADEMARK OFFICE, U.S. PATENT AND TRADEMARK OFFICE PERFORMANCE AND ACCOUNTABILITY REPORT FOR FISCAL YEAR 2014 at 146 (2014), *available at* <http://www.uspto.gov/about/stratplan/ar/USPTOFY2014PAR.pdf>. In 2014, there were six pending derivation proceedings. *Id.* at 156.

236. U.S. PATENT & TRADEMARK OFFICE, U.S. PATENT AND TRADEMARK OFFICE PERFORMANCE AND ACCOUNTABILITY REPORT FOR FISCAL YEAR 2013 at 191 (2013), *available at* <http://www.uspto.gov/about/stratplan/ar/USPTOFY2013PAR.pdf>. Doc. 60 This was approximately the same amount of pending applications in interference as in 2012. U.S. PATENT & TRADEMARK OFFICE, U.S. PATENT AND TRADEMARK OFFICE PERFORMANCE AND ACCOUNTABILITY REPORT FOR FISCAL YEAR 2012 at 178 (2012), *available at* <http://www.uspto.gov/sites/default/files/about/stratplan/ar/USPTOFY2012PAR.pdf>.

237. U.S. PATENT & TRADEMARK OFFICE, U.S. PATENT AND TRADEMARK OFFICE PERFORMANCE AND ACCOUNTABILITY REPORT FOR FISCAL YEAR 2011 at 162 (2011), *available at* <http://www.uspto.gov/sites/default/files/about/stratplan/ar/USPTOFY2011PAR.pdf>.

238. U.S. PATENT & TRADEMARK OFFICE, U.S. PATENT AND TRADEMARK OFFICE PERFORMANCE AND ACCOUNTABILITY REPORT FOR FISCAL YEAR 2014 at 156 (2014), *available at* <http://www.uspto.gov/about/stratplan/ar/USPTOFY2014PAR.pdf>.

It appears that the proponents were not only correct that the FITF and revised grace period would not result in an upswing in interference proceedings, it actually resulted in a substantial decrease in amount from 2011 to 2014. But, these statistics only reflect the number of pending derivation or interference proceedings at the time of the report, not the number of total proceedings during those years.

#### IV. PROPOSAL

Both proponents and opponents in the Congressional debates agreed that the grace period is crucial to small inventors. Whereas implementing the FITF provision accomplished one of the goals of the AIA—to harmonize the U.S. patent system—the revised grace period remained, seeming like an unforeseen consequence of harmonizing international patent systems with less extensive grace periods. Although the parties in the Congressional debates agreed that the grace period is crucial to small and independent inventors, they could not agree on the effect of the revised grace period on small inventors or how to change it. In the heat of the debates, this consideration was for the most part overlooked, and there is no inherent inconsistency in a FITF system having full grace period protections.<sup>239</sup>

In fact, this aligns with the Congressional purpose outlined in the 2007 Committee Report. Just as the Committee emphasized that a strict FTF system was too restrictive given the nature of invention, discovery, and development, even if the FITF was intended as a less-restrictive version, to truly offset the restrictiveness, small businesses would need a robust grace period. It must enable them to assess the usefulness, marketability, and practicality of an invention for a period of time where they have the security of knowing their idea is protected to then enable them to undertake the expense of obtaining the patent.

This legislative intent does not seem to be effectuated. By considering the purpose of the provisions alongside the contentious debates in the months leading up to the passage of the AIA, although the FITF accomplished harmonization, the revised grace period fell short of providing the necessary

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239. 157 CONG. REC. S1112 (Mar. 2, 2011) (statement of Sen. Reid).

protection needed by small entities.

As it currently stands:

AIA 35 U.S.C. 102(b)(1) provides that certain disclosures made one year or less before the effective filing date of a claimed invention shall not be prior art under 35 U.S.C. 102(a)(1) with respect to the claimed invention if: (1) The disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or (2) the subject matter disclosed had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.<sup>240</sup>

To re-align the revised grace period with its actual purpose, the grace period should be broadened to protect more of the activities that small businesses rely on so as to actually give effect to Congress' intent. In order to do so, the grace period should be broadened to protect the unique innovation process of small inventors—especially during the development and marketing stages—enabling small entities to be less concerned, and investors more assured, that large companies will not be able to just cherry pick and patent their ideas.

To do so, first, the grace period should expand the definition of “prior art exceptions” to include non-inventor disclosures that are more than the same “subject matter” of the inventor's disclosure. This will help reduce the ability of larger companies with faster innovation processes to profit from cherry-picking. As it stands, the grace period would only protect a small inventor if a patent application disclosed an obvious variation of the inventor's invention. But, due to larger companies' resources and quicker innovation process, they could easily get to the point of non-obvious variations of the invention. Moreover, when these large companies file, they will be awarded the patent since the “subject matter” is now more advanced than what the inventor publicly disclosed.

Second, the grace period should contemplate and protect an inventor's private sale of his invention, demonstration of its use to a private group, or a third party's unrestricted and private use of the invention. This will provide small businesses

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240. *Overview of the Changes to 35 U.S.C. 102 in the AIA*, U.S. PATENT & TRADEMARK OFFICE, <http://www.uspto.gov/web/offices/pac/mpep/s2151.html> (emphasis added).

with protection during the marketing and testing phases of their inventions, not limiting the activities that trigger the needed grace period protection to only those that involve public disclosure. Although the revised grace period may have reflected the Congressional goal to increase objectivity in the patent system, evident by the 2007 Committee Report and the heated debates, objectivity was not intended to be at the detriment of small business innovation. As it stands, the grace period would only protect public disclosures made directly or indirectly by the inventor, severely limiting the ways that small inventors can test their ideas and market to investors.

#### CONCLUSION

Harmonization of our patent system with international systems spurred a transition to the FITF system, which resulted in an unnecessary narrowing of the grace period. In so doing, this fueled the heated Congressional debates that occurred in the final months prior to the passage of the AIA. In examining the legislative intent behind the FITF and revised grace period provisions as well as the differing arguments presented in the congressional debates, this Comment emphasizes how narrowing the grace period was not necessary. Although it has only been two years since the effective date of the FITF and revised grace period, it is evident that Congress should amend the grace period so as to re-strengthen the protections and protect the essential activities of small businesses.